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THE PENSION BENEFITS BRANCH ANNUAL REPORT

January 1, 1973
to March 31, 1974

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REPORT OF

THE PENSION BENEFITS BRANCH

FOR THE PERIOD

JANUARY 1, 1973 TO MARCH 31, 1974

The contents of this report covers the affairs of the Branch throughout the period January 1, 1973 to March 31, 1974.

General reference is made to the normal or routine work of the Branch, but brief accounts are included of those items deemed to be of particular interest or importance.

For easier reading and reference, the report has been divided into the following sections:

SECTION 1. MAIN PROVISIONS OF THE ACT IN GENERAL TERMS

SECTION 2. DUTIES AND RESPONSIBILITIES ADDITIONAL TO THOSE REQUIRED BY THE ACT

SECTION 3. MEETINGS WITH SIMILAR AUTHORITIES

SECTION 4. UNIFORMITY

SECTION 5. SURVEY RESULTS

SECTION 6. HIGHLIGHTS OF ASSISTANCE GIVEN

SECTION 7. SPECIAL ITEMS

SECTION 8. AMENDMENTS TO REGULATIONS

SECTION 9. GENERAL

1. MAIN PROVISIONS OF THE ACT IN GENERAL TERMS

The Pension Benefits Act, Chapter 272 of the Revised Statutes of Alberta 1970, came into force as of January 1, 1967, the intent and purpose of this legislation being to safeguard the rights of employees to the benefits promised under pension plans established by employers.

To achieve this, the Act requires that every employer-employee pension plan in operation be registered with the Branch and that it comply with the standards set out, and maintain compliance during its lifetime.

In general terms, the main provisions of the Act are as follows:

VESTING:

Entitlement of a member to a deferred life annuity (payable at normal retirement age) composed of the pension benefits accrued under a pension plan in respect of service since January 1, 1967, if at the time he ceases to be employed by the employer he has attained age 45 and has been employed for a continuous period of 10 years by that employer.

"Pension benefits" means those benefits provided by both the employer's contributions and those an employee is compelled to contribute while a member of the plan.

A member who qualifies for a deferred life annuity may not withdraw either his own contributions or the commuted value of the pension entitlement, nor is this entitlement capable of being assigned, surrendered, alienated, seized or attached.

* This "locking-in" of the value of the benefit upholds the real purpose of pension plans, to provide income to retired employees.

FUNDING:

The employer is required to pay into the pension fund each year an amount sufficient to cover the cost of the benefits earned in that year. In addition, where an unfunded liability or experience deficiency exists, a special payment is required to be made annually in order to liquidate this debt within a specified number of years.

* This ensures the monetary value of the promises made is being put aside, and is not part of the employer's assets.

INVESTMENT:

Pension plans are limited to those investments in which the general funds of insurance companies may be invested, with the extra proviso that not more than 10% of the book value of the fund may be invested in the shares of any one corporation. Seven per cent of the fund may be invested in unqualified securities.

* The intent of these limitations is to reduce the risk of diminution of the fund through investment losses.

EXPLANATION TO EMPLOYEES:

The employer is required to provide each member of the pension

plan with a written explanation of the terms and conditions of the plan and any amendments thereto.

* By this means every member has the opportunity of knowing his rights and duties under the plan.

Usually the explanation is in the form of a booklet couched in every day language, but sometimes, especially if it is a relatively simple one, a copy of the plan is all that is given to members.

2. DUTIES AND RESPONSIBILITIES ADDITIONAL TO THOSE REQUIRED BY THE ACT

In addition to its duties and responsibilities under The Pension Benefits Act with regard to pension plans covering Alberta employees, the Branch, in accordance with the terms of reciprocal agreements in effect with the Government of Canada, and the governments of Ontario, Quebec and Saskatchewan, is charged with ensuring that the provisions of the legislation of these other jurisdictions are complied with by pension plans covering personnel within those jurisdictions.

3. MEETINGS WITH SIMILAR AUTHORITIES

Representatives of the jurisdictions having similar legislation met on three occasions during the year; the chief topics of discussion were maintenance of uniformity, possible areas of change to meet new developments in the pension field, the effect of Human Rights legislation on pension plans with regard to the differences applying according to the sex of the participant, the possible need for a Central Pension Agency to receive locked-in benefits, the establishment of a Canadian Association of Pension Supervisory Authori-

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ties, the issuance by the employer of financial information respecting the pension plan to plan members, statistics, and the format of future Inter-provincial Conferences. Other important areas of discussion included problems related to the wind-up of pension plans, particularly where bankruptcy of the employer occurred, and also cases of company take-overs.

4. UNIFORMITY

Many of the pension plans now in effect cover employees in several provinces; the membership of others is made up of some employees subject to federal statute and some under provincial jurisdiction. To avoid the necessity of multiple registration of such plans, the provinces and the Government of Canada entered into agreements allowing for the supervision of these inter-provincial or national plans by one of the authorities concerned on behalf of others.

However, although the main provisions of the various Acts are uniform as to intent and purpose, the wording of these differ and consequently are open to interpretation, which may lead to difficulties where a pension plan is subject to more than one Act. It is imperative, therefore, that agreement be reached, by the respective authorities, on the interpretation of the various provisions of the Acts and as far as possible upon the methods of supervision. The non-existence of uniformity in these areas does, and will continue to, create problems for the persons administering the Acts and all those persons and organizations connected with the employee benefits field. To date, through the close co-operation of the various jurisdictions, a great deal has been achieved, but still more remains to be done, and this will continue to be so, due to the everchanging situation in the employee benefits field.

To further this ideal of complete uniformity, an association, to be known as the Canadian Association of Pension Supervisory Authorities, has been proposed. It is expected this will be composed of high ranking representatives of each authority, and will consider, and hopefully resolve, all matters of difference, mutually agree on procedures and methods to be adopted, recommend uniform changes to the legislation, in fact deal with all matters that affect or could affect more than one jurisdiction. All jurisdictions will benefit from the collective approach, as will employers and others involved with pension plans.

5. SURVEY RESULTS

In July, 1972, a select group of organizations experienced and knowledgeable in the pension field were requested to submit comments with regard to suggested changes to the pension legislation.

A summary of the replies received revealed:

1) opposition to a change in the present vesting rules,

2) agreement with raising the level below which a vested pension could be commuted for cash,

3) agreement with the introduction of a provision requiring periodic statements of benefits to be issued to plan members.

A survey conducted by Ontario produced similar opinions.

In view of these results the matter of possible revision of the legislation is being further considered by the various authorities concerned.

6. HIGHLIGHTS OF ASSISTANCE GIVEN

At the request of the Edmonton office of the Canada Pension Plan, the Superintendent served as chairman of a Disability Appeal Board in connection with the case of an Edmonton woman appealing the refusal of her claim to a Disability Pension under the Canada Pension Plan. The Senior Pension Analyst will serve as chairman at a future hearing of similar nature.

Two speaking engagements respecting pensions were undertaken during the period under review, the Senior Pension Analyst spoke at a Teachers' Convention in Edmonton, and the Superintendent addressed members of the Western Region of The Canadian Pension Conference in Vancouver.

Both the Superintendent and the Senior Pension Analyst have been called upon to meet with groups of employees, and individual employee representatives, to explain not only the pension legislation, but also the pension plans of which these employees were members and the effect of the Canada Pension Plan on pensions payable from these plans. The impression obtained is that employees prefer these explanations from someone not connected with the employer, which would seem to indicate further requests of this nature can be expected.

The Branch assisted both the City of Edmonton and the City of Calgary in pension matters pertaining to the police forces thereof. Assistance has also been given to terminated employees in obtaining refunds due to them in respect of contributions made to the pension plan of a former employer, as well as to retirees and potential retirees who sought verification of entitlement and advice as to the procedure necessary to obtain their pension entitlement.

7. SPECIAL ITEMS

In the period since the last report, the Branch has been involved in a take-over, a situation that was part take-over and part shut-down, and a plant-closure. Considerable time and effort was expended by members of the Branch to ensuring the best possible terms of settlement were afforded to members of the plans.

The terms of settlement in the take-over by Western Co-operative Fertilizers Limited of the fertilizer operation of Northwest Nitro-Chemicals Ltd., granted full vesting of the benefits earned for the period of employment up to the date of the take-over. Employees were not laid off but continued in the employ of the new employer.

In the situation involving the closing out of a part of the Alberta operation of Canadian Phoenix Steel & Pipe Ltd., and the sale of another part to Inter-provincial Steel & Pipe Corporation Ltd., all employees in the employment of Canadian Phoenix at the time the take-over negotiations commenced received full vesting of the benefits accumulated up to the actual date of discontinuance of the pension plan.

In the matter of the closure of the Calgary operation of Continental Can Company of Canada Limited, investigation revealed that the employer had met the funding requirements of The Pension Benefits Act, and also that the terms of settlement in the event of plant closure were specifically provided for in the negotiated agreement between the Union and the Company. Despite this, an effort was made to obtain a settlement that would provide benefits to more

employees, but without success. The Company's position was that as it had fulfilled its legal obligations under the pension legislation, and intended honouring the specific plant closure provisions of the negotiated agreement, which, in fact, involved an additional payment of $100,000.00 to the pension fund, it had met all its responsibilities with respect to the employees of the Calgary operation.

8. AMENDMENTS TO REGULATIONS

Section 11 of the Regulations was replaced by a new section 11 which clarified the position of the pension plan in the event of closure or sale of part of an operation or business. O.C. 1735/73 dated November 6, 1973, authorized this change.

9. GENERAL

Statistical information relating to the pension plans submitted for registration since the Act came into force up to March 31, 1974, is contained in Appendix 'A'.

A breakdown of those pension plans cancelled, showing the reason for cancellation, is as per Appendix 'B'.

Data is continuing to be forwarded to Statistics Canada for the joint statistical programme established in 1969, from which new statistical tables respecting pension plans in effect as at January 1, 1972, have been compiled. A selection of these tables are attached hereto.

New concepts in both pension plans and the funding vehicles for these are being encountered, necessitating more time for analysis. In addition, the reported changes to the Canada Pension Plan has caused some revisions to those plans under which the ultimate benefit payable is affected by the amount received from the C.P.P.

So far, the increased workload has not caused undue delays, but additional analysts will be necessary to maintain the efficiency of the Branch.

In the majority of cases, the Branch has received full co-operation from employers, pension consultants, insurance and trust companies, which has assisted considerably in the administration of the Act and is very much appreciated.

APPENDIX 'A'

	TOTAL TRANSACTIONS TO DEC.31/72	TRANSACTIONS JAN. 1/73 TO MARCH 31/74	TOTAL TRANSACTIONS TO MARCH 31/74
Plans Examined	2120	127	2247
Plans "Approved" (Registration)	2040	136	2176
Plans Awaiting Approval (Includes "Not Examined")	33	16*	17
Plans Transferred Under Reciprocal Agreements:			
To Alberta Supervision	77	6	83
From Alberta Supervision	65	7	72
Plans Cancelled	750	138	888
Amendments to "Approved' Plans	2871	737	3608
Annual Information Returns	7237	1973	9210
Appendix 'A' (Submitted Every Third Year)	nil	1325	1325

* Indicates reduction in the number of plans awaiting approval or examination.

APPENDIX 'B'

NUMBER CANCELLED	PENSION PLANS CANCELLED AND REASON FOR DISCONTINUANCE
284	Non-approval by Department of National Revenue
145	Replaced by new plans
100	Financial problems
88	Company dissolved
17	Not required to register and duplicate registration
92	No members left in plan
17	Non-compliance
145	No reason given - owner's request
TOTAL 888	

31/3/74

TABLE 2 NUMBER AND PERCENTAGE OF PENSION PLANS AND MEMBERS BY MEMBERSHIP SIZE-GROUP, 1972 - ALBERTA

MEMBERSHIP-SIZE GROUP	PLANS		MEMBERS					
			MALE		FEMALE		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Less than 5	737	28.4	1,194	.8	293	.5	1,487	.7
5 - 9	243	9.3	1,152	.8	217	.4	1,369	.7
10 - 14	146	5.6	1,022	.7	159	.3	1,181	.6
15 - 49	427	16.4	4,128	2.9	520	1.0	4,648	2.4
50 - 99	249	9.5	3,665	2.6	530	1.0	4,195	2.2
100 - 199	270	10.4	5,185	3.7	499	.9	5,684	2.9
200 - 499	224	8.6	7,164	5.1	999	1.9	8,163	4.3
500 - 999	133	5.1	11,738	8.4	1,424	2.7	13,162	6.9
1,000 - 1,999	74	2.8	13,032	9.4	2,436	4.7	15,468	8.1
2,000 - 2,999	28	1.0	5,087	3.6	913	1.7	6,000	3.1
3,000 - 3,999	11	.4	1,883	1.3	339	.6	2,222	1.1
4,000 - 4,999	13	.5	2,749	1.9	1,480	2.8	4,229	2.2
5,000 - 9,999	23	.8	15,027	10.8	5,490	10.6	20,517	10.8
10,000 and over	17	.6	65,268	47.1	36,099	70.2	101,367	53.4
TOTAL	2,595	100.0	138,294	100.0	51,398	100.0	189,692	100.0

TABLE 4 MEMBERSHIP IN PRIVATE PENSION PLANS BY PROVINCE AND SEX, 1972

PROVINCE	-- MEMBERSHIP -- MALES	FEMALES	TOTAL
	NUMBER	NUMBER	NUMBER
NEWFOUNDLAND	12,313	1,681	13,994
P.E.I.	3,528	382	3,910
NEW BRUNSWICK	26,694	3,992	30,686
NOVA SCOTIA	38,620	5,967	44,587
QUEBEC	208,103	53,712	261,815
ONTARIO	382,463	120,655	503,118
MANITOBA	55,257	12,268	67,525
SASKATCHEWAN	30,592	6,483	37,075
ALBERTA	138,294	51,398	189,692
BRITISH COLUMBIA	102,584	21,267	123,851
YUKON AND N.W.T.	1,600	253	1,853
NON-CANADIAN	4,953	5,713	10,666
TOTAL	1,005,001	283,771	1,288,772

TABLE 8 NUMBER AND PERCENTAGE OF PENSION PLANS BY INDUSTRY WITH MEMBERSHIP BY SEX, 1972 - ALBERTA

	PLANS		-- MEMBERS --					
			MALES		FEMALES		TOTAL	
INDUSTRY	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
AGRICULTURE	16	.6	39		10		49	
FORESTRY	2		3		1		4	
FISHING & TRAPPING								
MINING	139	5.3	8,176	5.9	1,106	2.1	9,282	4.8
MANUFACTURING								
FOOD & BEVERAGES	117	4.5	5,440	3.9	917	1.7	6,357	3.3
TOBACCO PRODUCTS	5	.1	52		9		61	
RUBBER INDUSTRIES	16	.6	978	.7	86	.1	1,064	.5
LEATHER	9	.3	61		6		67	
TEXTILES	14	.5	246	.1	12		258	.1
KNITTING MILLS	1		1				1	
CLOTHING	17	.6	82		14		96	
WOOD	25	.9	419	.3	34		453	.2
FURNITURE & FIXTURES	13	.5	157	.1	15		172	
PAPER & ALLIED IND.	33	1.2	1,016	.7	83	.1	1,099	.5
PRINTING & PUBLISHING	45	1.7	794	.5	161	.3	955	.5
PRIMARY METALS	21	.8	1,232	.8	72	.1	1,304	.6
METAL FABRICATING	102	3.9	1,280	.9	113	.2	1,393	.7
MACHINERY	66	2.5	1,463	1.0	318	.6	1,781	.9
TRANSPORTATION EQPT.	35	1.3	607	.4	139	.2	746	.3
ELECTRICAL PRODUCTS	61	2.3	1,185	.8	274	.5	1,459	.7
NON-METALLIC MIN.PRDTS.	31	1.1	665	.4	112	.2	777	.4
PETROLEUM & COAL PRDTS.	12	.4	6,488	4.6	1,354	2.6	7,842	4.1
CHEMICAL	101	3.8	1,605	1.1	81	.1	1,686	.8
MISCELLANEOUS	38	1.4	157	.1	23		180	
CONSTRUCTION	208	8.0	5,291	3.8	136	.2	5,427	2.8
TRANSPORT'N. & COMM.	138	5.3	21,060	15.2	4,025	7.8	25,085	13.2
TRADE								
WHOLESALE	378	14.5	4,877	3.5	675	1.3	5,552	2.9
RETAIL	271	10.4	5,072	3.6	3,201	6.2	8,273	4.3
FINANCE, INSURANCE & REAL ESTATE	258	9.9	4,649	3.3	4,351	8.4	9,000	4.7
COMMUNITY BUSINESS & PERSONAL SERVICE	378	14.5	15,041	10.8	13,429	26.1	28,470	15.0
PUBLIC ADMIN. & DEFENSE	44	1.6	50,157	36.2	20,641	40.1	70,798	37.3
INDUSTRY UNSPECIFIED	1		1				1	
TOTAL	2,595	100.0	138,294	100.0	51,398	100.0	189,692	100.0

TABLE 9 NUMBER AND PERCENTAGE OF PENSION PLANS BY TYPE OF ORGANIZATION WITH MEMBERSHIP BY SEX, 1972 - ALBERTA

TYPE OF ORGANIZATION	PLANS		-- MEMBERS --					
			MALES		FEMALES		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
MUNICIPAL	47	1.8	25,772	18.6	18,636	36.2	44,408	23.4
MUNICIPAL ENTERPRISE	1		3				3	
PROVINCIAL	7	.2	17,338	12.5	10,593	20.6	27,931	14.7
PROVINCIAL ENTERPRISE	2		3,760	2.7	2,564	4.9	6,324	3.3
FEDERAL	5	.1	18,332	13.2	3,863	7.5	22,195	11.7
FEDERAL ENTERPRISE	8	.3	5,870	4.2	691	1.3	6,561	3.4
INCORPORATED COMPANY	2,309	88.9	58,088	42.0	13,117	25.5	71,205	37.5
PARTNERSHIP	22	.8	154	.1	38		192	.1
SOLE PROPRIETOR	9	.3	17		2		19	
ASSOCIATION	84	3.2	581	.4	333	.6	914	.4
CO-OPERATIVE	27	1.0	2,026	1.4	456	.8	2,482	1.3
MULTI-EMPLOYER	22	.8	5,454	3.9	758	1.4	6,212	3.2
OTHER	52	2.0	899	.6	347	.6	1,246	.6
TOTAL	2,595	100.0	138,294	100.0	51,398	100.0	189,692	100.0

TABLE 10

PENSION PLANS BY TYPE OF PLAN - NUMBER AND PERCENTAGE OF PLANS AND MEMBERSHIP BY SEX, 1972 - ALBERTA

TYPE OF PLAN	PLANS		-- MEMBERS --					
	NUMBER	%	MALES	%	FEMALES	%	TOTAL	%
UNIT BENEFIT								
FINAL EARNINGS	14	.5	227	.1	117	.2	344	.1
FINAL AVGE. EARN'GS	136	5.2	16,837	12.1	7,659	14.9	24,496	12.9
AVGE. BEST EARN'GS	293	11.2	76,869	55.5	35,630	69.3	112,499	59.3
CAREER AVGE. EARN'GS	864	33.2	26,315	19.0	5,301	10.3	31,616	16.6
LEVEL %AGE EARN'GS	7	.2	28		2		30	
SUB-TOTAL	1,314	50.6	120,276	86.9	48,709	94.7	168,985	89.0
MONEY PURCHASE	1,027	39.5	6,615	4.7	1,171	2.2	7,786	4.1
PROFIT SHARING	78	3.0	1,238	.8	208	.4	1,446	.7
FLAT BENEFIT	86	3.3	7,633	5.5	1,078	2.0	8,711	4.5
COMPOSITE	48	1.8	1,693	1.2	141	.2	1,834	.9
OTHER	42	1.6	839	.6	91	.1	930	.4
TOTAL	2,595	100.0	138,294	100.0	51,398	100.0	189,692	100.0